EXHIBIT 8

Congressional Budget Office
Cost Estimate

September 18, 2023

At a Glance

H.J. Res. 88, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Department of Education relating to "Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program"

As ordered reported by the House Committee on Education and the Workforce on September 14, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	-129,400	-190,800	-260,700
Revenues	0	0	0
Decrease (-) in the Deficit	-129,400	-190,800	-260,700
Spending Subject to Appropriation (Outlays)	not estimated	not estimated	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The resolution would

- Repeal the income-driven repayment plan for new and existing student loan borrowers created by the final rule published by the Department of Education on July 10, 2023, and prohibit the department from creating a similar plan in the future.

Estimated budgetary effects would mainly stem from

- Increased future repayments of principal and interest on student loans from repeal of the new income-driven repayment plan (which on average reduces payments for borrowers) thereby reducing the costs of those loans

Areas of significant uncertainty include

- Estimating the amount of payments from borrowers with and without the income-driven repayment plan
- Estimating the enrollment of the new income driven repayment plan versus other repayment options

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Resolution Summary

H.J. Res. 88 would disapprove the final rule relating to "Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program" issued by the Department of Education and published in the *Federal Register* on July 10, 2023. (That rule created a new income-driven repayment plan called Saving on a Valuable Education, or SAVE.) The resolution would invoke a legislative process established by the Congressional Review Act, which would repeal the rule and prohibit the department from issuing the same or similar rules in the future.

Estimated Federal Cost

The costs of the legislation, detailed in Table 1, fall within budget function 500 (education, training, employment, and social services).

Table 1.
Estimated Changes in Direct Spending Under H.J. Res. 88

	By Fiscal Year, Billions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
	Decreases (-) in Direct Spending												
Estimated Budget Authority	-129.4	-11.8	-13.0	-14.1	-15.6	-15.6	-15.8	-15.8	-15.8	-16.1	-16.2	-199.5	-279.2
Estimated Outlays	-129.4	-10.3	-11.4	-12.4	-13.6	-13.7	-13.8	-13.9	-13.9	-14.0	-14.3	-190.8	-260.7

Basis of Estimate

For this estimate, CBO assumes that the resolution will be enacted before the end of fiscal year 2023. The estimate is relative to CBO's May 2023 baseline, which incorporates the final rule on the SAVE plan published on July 10, 2023.

As required under the Federal Credit Reform Act of 1990 (FCRA), most of the costs of the federal student loan program are estimated on a net-present-value basis. A present value is a single number that expresses a flow of current and future payments in terms of an equivalent lump sum received or paid today. Under FCRA, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on Treasury borrowing. For changes to the cost of outstanding loans, the estimated costs or savings are shown in the year in which the legislation making those changes is enacted.

For more information about how CBO estimated this proposal, see the letter transmitted on March 13, 2023.[1]

Background

The July rule created a new income-driven repayment (IDR) plan, called SAVE. In an IDR plan, monthly loan payments are based on the borrower's income and family size and the remaining loan balance is forgiven after a certain period of time in repayment, usually 20 or 25 years. The SAVE plan replaced the Revised Pay-As-You-Earn (REPAYE) repayment plan, one of several existing IDR plans available to borrowers.

In comparison to the REPAYE plan and other IDR plans, the SAVE plan:

- Increases the amount of income exempted from the calculation of monthly payments from 150 percent to 225 percent of the federal poverty guideline, which varies by family size. Payment amounts are calculated based on discretionary income, defined as income above the exempted amount.
- Eliminates accrual of unpaid interest when a borrower's payment does not cover the entire amount of interest due. (The former REPAYE plan waived 50 percent of that interest.)

Beginning in July 2024, the SAVE plan also:

- Reduces from 10 percent to 5 percent the amount of discretionary income that borrowers must pay if they have undergraduate loans only. Borrowers with only graduate loans would continue to pay 10 percent of their discretionary income. Borrowers with undergraduate and graduate loans would pay a percentage of their discretionary income based on the weighted average of their combined loan amounts.
- Allows student borrowers who initially borrowed less than $22,000 to have their outstanding balance forgiven after 10 to 20 years in repayment, depending on the amount borrowed. (Undergraduate borrowers with a balance above that amount would receive forgiveness after 20 years in repayment; graduate borrowers would receive forgiveness after 25 years, which is not a change from the old REPAYE plan.)
- Authorizes the Department of Education to automatically enroll borrowers in an IDR plan if their payments are 75 days delinquent and if they have authorized disclosure of income and tax return information to the department.

1. See Congressional Budget Office, letter to the Honorable Virginia Foxx and the Honorable William Cassidy, concerning the costs of the proposed income-driven repayment plan for student loans (March 13, 2023), www.cbo.gov/publication/58983.

Direct Spending
CBO estimates that enacting H.J. Res. 88 would reduce direct spending, on a net-present-value basis, by $129.4 billion in 2023, and by $260.7 billion over the 2023-2033 period. CBO expects that, on average, borrowers who enroll in the SAVE plan will pay less in principal and interest than they would if that plan were no longer available. The estimated savings is the present value of the borrowers' projected payments of principal and interest on student loans before accounting for the repeal of that policy, minus the present value of payments after doing so. Under both scenarios, the present value is calculated by discounting the payments the government receives, using methods specified in FCRA.

Outstanding Loans. CBO estimates that borrowers will hold a total of $1.4 trillion in outstanding direct loans to students, excluding loans to parents, by the end of fiscal year 2023. If the SAVE plan were repealed, CBO expects that borrowers would make higher payments, on average, and that fewer borrowers would pay using income-driven repayment. Under current law and regulations, CBO estimates that about 60 percent of outstanding loan volume to students will be repaid in an IDR plan. If the SAVE plan were eliminated, the agency expects that the percentage of outstanding volume repaid in an IDR would drop to 50 percent. In total, CBO estimates that enacting H.J. Res 88 would increase future cash inflows from borrowers with outstanding loans by $129.4 billion on a net-present value basis, which is shown as a reduction in direct spending in 2023.

Loans Originated in Years 2024 Through 2033. CBO projects that about $900 billion in new loans will be originated to students over the 2024–2033 period. CBO expects that more students will choose to take out loans, and more students will enroll in an income-driven repayment plan with the SAVE plan available than if it were eliminated. The share of loan volume originated to student borrowers who eventually enroll in any IDR plan would decrease from about 70 percent of volume to about 50 percent. That decrease would stem from two factors:

- Borrowers would be less likely to select an IDR plan because the remaining plans would be less generous than the SAVE Plan, and
- The department would no longer automatically enroll borrowers who are 75 days delinquent into an IDR plan.

Further, CBO estimates that loan volume originated to students over the 2024 though 2033 period would decline by about 8 percent if the SAVE plan were to be eliminated, primarily because repayment options in the loan program would be less generous, on average, and because expected institutional responses to the availability of the plan would not occur.

In total, CBO estimates that enacting H.J Res. 88 would decrease the costs of future cohorts of loans by $131.3 billion on a net-present value basis.

Sources of Data. For this analysis, CBO used administrative data from the National Student Loan Data System for a representative sample of borrowers, along with survey data from the National Postsecondary Student Aid Study. We supplemented that information with other data as inputs to project borrowers' lifetime earnings and repayment of loans.[2] CBO also consulted with a range of experts on postsecondary student aid and reviewed literature on postsecondary enrollment, tuition, and borrowing.

Spending Subject to Appropriation

Additional funding to administer the student loan program is provided each year in appropriation acts. In fiscal year 2023, the Congress appropriated $2.0 billion for student aid administration, which is used to administer student loans and other student aid programs. CBO has not estimated the impact on the amount of funding that would be needed to administer the student loan program if H.J. Res 88 were enacted. Any change in spending would be subject to the availability of appropriated funds.

Uncertainty

Although CBO has endeavored to develop an estimate of H.J. Res. 88 that is in the middle of the distribution of potential outcomes, those estimates are highly uncertain. In particular, it is difficult to anticipate the ways students and postsecondary institutions will respond to the availability of the plan. If more or fewer borrowers enroll in the SAVE plan or if additional borrowing grows by more or less than CBO projects, the costs could differ significantly from those presented here. The uncertainty is further complicated by difficulty in anticipating changes in the composition or characteristics of enrollees in the new IDR plan relative to those currently participating.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Net Direct Spending: None.

Mandates: None.

Previous CBO Estimates

On March 13, 2023, CBO published a letter detailing the estimated budgetary effects of the proposed rule for the new IDR, as published by the Department of Education in the *Federal Register* on January 11, 2023. In that letter, CBO estimated that the new IDR plan would

2. For a technical description of CBO's modeling of income-driven repayment plans, see Nadia Karamcheva, Jeffrey Perry, and Constantine Yannelis, Income-Driven Repayment Plans for Student Loans, Working Paper 2020-02 (Congressional Budget Office, April 2020), www.cbo.gov/publication/56337.

increase the cost of the federal student loan program by $276 billion over the 2023-2033 period, assuming the Supreme Court fully invalidated the Administration's plan to cancel outstanding debt. That estimate was relative to CBO's February 2023 baseline projections.

The estimate of the final rule reflects several changes from the estimate of the proposed rule. First, it has been updated to reflect the assumptions in CBO's May 2023 baseline, which projects less overall volume originated over the 2024-2033 period than in the February 2023 baseline. The estimated cost of the new IDR plan is lower under the assumption that less volume will be originated in the future.

In addition, this estimate incorporates the effects of the proposed rule relating to "Financial Value Transparency and Gainful Employment (GE), Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit (ATB)," as published by the Department of Education in the *Federal Register* on May 19, 2023. As standard practice, CBO incorporates 50 percent of the budgetary effects of proposed rules into its baseline and estimates. CBO expects that the proposed rule on gainful employment, which requires institutions to meet benchmarks for debt-to-earnings rates, will reduce some of the additional borrowing that would have otherwise occurred.

Finally, it reflects small differences between the proposed and final rule. Under the final rule, several benefits of the SAVE plan, such as reduction in the amount of discretionary income that borrowers must pay if they have undergraduate loans only, do not start until July 2024. Under the proposed rule, those benefits were immediately available.

Other Estimates

In the final rule published on July 10, 2023, the Department of Education estimated that the SAVE Plan will cost $156 billion over the 2023-2033 period. Of that total, the department estimates the cost for existing loan cohorts will total $70.9 billion, about $59 billion lower than CBO's estimate. Much of that difference stems from the fact that the department's estimate incorporates the costs of the Administration's plan to cancel up to $20,000 in outstanding balances for eligible borrowers. This assumption makes the estimated costs for outstanding loans much lower than if that assumption had not been included. The Supreme Court invalidated the loan cancellation plan on June 30, 2023.

The department estimated an additional cost of $85.1 billion for loan cohorts originated from 2024 to 2033, about $46 billion lower than CBO's estimate. Most of the difference between CBO's and the department's estimated costs for future loans stems from the fact that the department did not include any costs for increased borrowing among eligible students in the future.

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